2001

ANNUAL REPORT

Beaumont Select
CORPORATIONS

BEAUMONT SELECT CORPORATIONS INC.

Report to Shareholders

Your company had a profitable year in 2001. 2001 marked the fifth consecutive year of profitability in the history of the Company.

FINANCIAL HIGHLIGHTS

Your Company had record sales in the past year. Sales increased from $32,127,000 to $35,026,000. Operating income remained at $1,411,000, which was due to substantial increases in the cost of labour, utilities, freight and packaging. Net income in 2001 was $652,000 in comparison with $417,000 in 2000, which translated to $0.04 per share in 2001 and $0.02 per share in 2000.

Funds flow from operations were $3,150,000 and $3,072,000 in 2001 and 2000 respectively, while EBITDA was $4,100,000 in 2001 versus $3,108,000 in 2000, an increase of 32% due to the elimination of a one-time loss in the prior year.

The current ratio and debt to equity ratio were 1.22:1 and 1.45:1 respectively in 2001, compared to 1.16:1 and 1.49:1 in 2000.

DIVISIONAL REPORTING

Real Estate Division

Over the years, the Company has seen a substantial increase in real estate values in the areas where we own properties. The total rentable space of our buildings is approximately 125,000 square feet, which comprised of 15,000 square feet of office space and 110,000 square feet of industrial space. All buildings are fully leased.

All the industrial buildings have a ten-year lease with affiliates at market rates, while the office building is now leased to third parties. Two of the three industrial buildings are in prime industrial areas in Calgary, Alberta, while the third one is in Winnipeg, Manitoba. The free cash flow from the rental of these buildings along with other appropriate capital will be used to expand the division.

Food Processing Division

The Food Processing Division continues to grow steadily as we get new customers in both Canada and the United States, and as new products are successfully introduced.

The Food Processing Division continues to research new product opportunities. In addition, we will continue to expand sales of existing products to a broader geographic customer base.

CORPORATE ACTIVITY

The directors and management feel that the shares of the Company are trading on the market at less than their fair value and the Company is continuing the repurchase of shares under a normal course issuer bid. At of June 30, 2001, under its third normal course issuer bid, the Company had repurchased 820,500 shares for a cost of $474,849. Since the beginning of our repurchase program three years ago, the Company has repurchased approximately 2,555,000 shares from the market, as our continued effort to improve the shareholder value. In June 2001, the Company received approval from The Canadain Venture Exchange to acquire an additional 672,903 shares, representing approximately 3.6% of the issued and outstanding class "A" shares, through a fourth Normal Course Issuer Bid, which commenced on June 29, 2001 and will terminate on June 28, 2002.

In this fiscal year of 2001, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for future income taxes. The change in the accounting policy for future income taxes has been adopted retroactively and retained earnings have been increased by $809,000, while the future income tax asset has been increased by the same amount. However, prior periods have not been restated. As at June 30, 2001, the future income tax asset was approximately $196,000.

SUMMARY

We anticipate the hard work of the past years will result in continued improvement in the performance of your Company over the next 24 months.

New product development will continue to be emphasized in the Food Processing Division. As well, your Company continues to expand our market for its food products throughout North America. The U.S. marketplace represents the largest potential for sales growth of existing products. The development of key contacts with both brokers and retailers should enable your Company to grow its U.S. sales substantially over the next few years.

It is the continued objective of your Company to increase the profitability and EBITDA by 10% on an annualized basis, over a 6-year period.

It has been another successful year for your Company, which has entered the new year with renewed optimism, and management feels that your Company has the potential for increased sales and profitability, which translates to increased value for our shareholders which Management and employees of the Company are driving vigorously to attain.

A NOTE OF THANKS

We wish to take this opportunity to thank all of our managers, supervisors and employees who, as associates, worked so hard to make this another successful year.

Winston Ho Fatt
Chairman and Chief Executive Officer

Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Beaumont Select Corporations Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The Company's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been prepared with this in mind and within the information presented in the financial statements.

KPMG LLP, Chartered Accountants, have been appointed by the shareholders of the Company to serve as the Company's external auditors, have examined the consolidated financial statements of the Company for the years ended June 30, 2001 and June 30, 2000.

The Audit Committee has reviewed these statements with management and the auditors, and has reported to the Board of Directors. The Board has approved the consolidated financial statements of the Company herein.

Winston Ho Fatt
Chairman and Chief Executive Officer

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Beaumont Select Corporations Inc. as at June 30, 2001 and 2000 and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at June 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Calgary, Canada
September 14, 2001

Consolidated Balance Sheets

June 30, 2001 and 2000

	2001	2000
ASSETS		
Current assets:		
Cash	**$ 690,332**	$ 869,520
Marketable securities	**1,659,609**	1,148,555
Accounts receivable	**2,892,318**	2,688,611
Inventory (note 2)	**4,030,831**	2,905,348
Prepaid expenses	**255,225**	138,455
Current portion of loans receivable (note 3)	**79,726**	15,600
	9,608,041	7,766,089
Loans receivable (note 3)	**98,200**	81,200
Future income taxes (note 9)	**196,165**	–
Capital assets (note 5)	**15,111,501**	15,255,477
Goodwill and other intangibles (note 6)	**2,178,510**	2,093,158
	$27,192,417	$25,195,924
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank loans (note 7)	**$ 1,952,234**	$ 1,792,091
Accounts payable and other liabilities	**4,243,367**	3,431,293
Current portion of due to related parties (note 4)	**–**	100,000
Current portion of long-term debt (note 7)	**1,703,923**	1,389,493
	7,899,524	6,712,877
Due to related parties (note 4)	**156,451**	132,856
Long-term debt (note 7)	**8,050,332**	8,250,336
Shareholders' equity:		
Share capital (note 8)	**8,719,427**	9,105,620
Retained earnings	**2,366,683**	994,235
	11,086,110	10,099,855
Commitment and contingency (notes 12 and 13)		
Subsequent event (note 15)		
	$27,192,417	$25,195,924

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Winston Ho Fatt
Director

Peter Kreutzer
Director

Consolidated Statements of Operations and Retained Earnings

Years ended June 30, 2001 and 2000

	2001	2000
Revenues (note 4)	**$35,025,969**	$32,126,716
Cost of sales:		
Direct expenses	**29,749,941**	26,732,696
Depreciation and amortization	**1,602,158**	1,385,858
	31,352,099	28,118,554
Operating margin	**3,673,870**	4,008,162
Operating expenses:		
Corporate and administrative (note 4)	**710,905**	920,134
Interest on long-term debt	**887,951**	815,977
Royalty (note 4)	**360,000**	360,000
Amortization	**204,482**	288,755
Interest and bank charges (note 4)	**100,012**	167,363
	2,263,350	2,552,229
Operating income before the following	**1,410,520**	1,455,933
Other expenses:		
Loss on sale of marketable securities	**57,880**	633,818
Write-down of intangible assets	**–**	292,294
Loan receivable bad debt	**–**	54,552
Foreign exchange loss	**26,280**	25,614
Loss on sale of other intangible assets	**20,620**	–
	104,780	1,006,278
Income before income taxes	**1,305,740**	449,655
Income taxes (note 9):		
Current	**40,801**	33,047
Future income taxes	**613,389**	–
	654,190	33,047
Net income	**651,550**	416,608
Retained earnings, beginning of year	**994,235**	621,250
Change in retained earnings on future tax adoption (note 9)	**809,554**	–
Excess of consideration rendered over stated value of shares redeemed (note 8)	**(88,656)**	(43,623)
Retained earnings, end of year	**$ 2,366,683**	$ 994,235
Net income per share:		
Basic	**$ 0.04**	$ 0.02
Fully-diluted	**$ 0.03**	$ 0.02

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended June 30, 2001 and 2000

	2001	2000
Cash provided by (used in):		
Operations:		
Net income	$ 651,550	$ 416,608
Add (deduct) items not requiring cash:		
Depreciation and amortization	1,806,640	1,674,613
Future income taxes	613,389	–
Loss on sale of other intangible assets	20,620	–
Write-down of loan receivable	–	54,552
Write-down of goodwill and other intangible assets	–	292,294
Loss on sale of marketable securities	57,880	633,818
Funds from operations	3,150,079	3,071,885
Net change in non-cash working capital balances (note 14)	(1,202,820)	(859,632)
	1,947,259	2,212,253
Investing:		
Purchase of capital assets	(1,249,947)	(1,768,798)
Expenditures on intangibles	(518,689)	(538,304)
Proceeds on disposal of other intangibles	–	50,000
Decrease (increase) in loans receivable	(81,126)	33,032
	(1,849,762)	(2,224,070)
Financing:		
Increase in bank loans, net	160,143	421,959
Repurchase and cancellation of Class A common shares	(474,849)	(400,560)
Decrease in due from related parties	–	250,000
Increase (decrease) in long-term debt, net	114,426	(193,736)
Decrease in due to related parties	(76,405)	(32,927)
Issuance of Class A common shares	–	12,600
	(276,685)	57,336
Increase (decrease) in cash during the year	(179,188)	45,519
Cash, beginning of year	869,520	824,001
Cash, end of year	$ 690,332	$ 869,520
Funds from operations per share:		
Basic	$ 0.17	$ 0.16
Fully-diluted	$ 0.16	$ 0.16

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended June 30, 2001 and 2000

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation:

The consolidated financial statements include the accounts of Beaumont Select Corporations Inc. (the "Corporation") and its subsidiaries.

(b) Inventory:

Inventory is recorded at the lower of average cost and market, with market determined at net realizable value.

(c) Capital assets:

Capital assets are recorded at cost upon acquisition. Depreciation on capital assets is provided using principally the straight-line method over the estimated useful lives of the assets as follows:

Asset	Estimated Useful Life
Vehicles	6 to 10 years
Leasehold improvements	10 years
Production equipment	10 to 20 years
Buildings	10 to 20 years

(d) Goodwill and other intangibles:

Goodwill represents the excess of cost over the fair value of net assets acquired. Other intangibles relate to deferred financing costs associated with the refinancing of bank loans and long-term debt and deferred development costs associated with the development of new commercially viable product lines and packaging designs. Goodwill is amortized on a straight-line basis over periods ranging from ten to thirty years. Other intangibles relating to deferred development costs are amortized on a straight-line basis over periods ranging from five to ten years and deferred financing costs are amortized over the term of the corresponding debt facility. Management periodically reviews the valuation and amortization of goodwill and other intangibles, taking into consideration the nature of the industry and the circumstances which might impair the value. The amount of impairment, if any, is determined based on estimated future cash flows. Any impairment in the value of the goodwill or other intangibles is written off against earnings.

(e) Foreign currency translation:

Integrated foreign operations have been translated into Canadian dollars using the temporal method as follows:

Monetary items – exchange rates in effect at the balance sheet date;

Non-monetary items – exchange rates in effect on the dates of those transactions; and

Revenues and expenses – at the average exchange rate prevailing during the year; except for inventories, depreciation and amortization which are translated at prevailing rates when the respective assets were acquired.

(f) Marketable securities:

Marketable securities are stated at the lower of cost and market value.

(g) Per share amounts:

Per share amounts are based on the weighted average number of shares outstanding during the year. Fully-diluted per share amounts were calculated based on the weighted average number of shares that would have been outstanding during the year had the options and warrants outstanding been exercised at the time they were earned or issued.

(h) Income taxes:

The Corporation adopted the liability method of accounting for income taxes (see note 9). Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences - the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis using income tax rates enacted at the balance sheet date. The effect of changes in rates on future income tax liabilities and assets is recognized in the period that the change occurs.

(i) Stock based compensation plans:

Consideration paid by employees or directors on the exercise of stock option plans under the employee stock option plan is recorded as share capital.

(j) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimate relates to determining the cost recoverability of the Corporation's goodwill and other intangible assets which are principally based upon estimated future cash flows. Actual results could differ from those estimates.

(k) Comparative figures:

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

2. INVENTORY:

	2001	2000
Raw materials	**$ 2,110,720**	$ 1,705,451
Finished goods	**1,920,111**	1,199,897
	$ 4,030,831	$ 2,905,348

3. LOANS RECEIVABLE:

	2001	2000
Loans receivable, bearing interest at rates varying from non-interest bearing to 10% per annum, with $70,000 secured by a second charge on all of the assets of the debtor and the remaining balance unsecured and with varying repayment terms	**$177,926**	$ 96,800
Less current portion	**79,726**	15,600
	$ 98,200	$ 81,200

4. RELATED PARTY TRANSACTIONS:

(a) Due to related parties:

	2001	2000
Convertible debenture due to a shareholder and former officer of the Corporation, unsecured, bearing interest at 10% per annum compounded annually and payable on a monthly basis and with the principal portion repayable in full on July 1, 2002. The debenture is convertible, at the option of the holder, into 166,667 Class A common shares in total until maturity	**$100,000**	$100,000
Convertible debenture due to a shareholder and former officer of the Corporation, unsecured, bearing interest at 10% per annum compounded annually and payable on a quarterly basis and with the principal portion repayable in full on July 1, 2000. The debenture is convertible, at the option of the holder, into 166,667 Class A common shares in total until maturity. During 2001, the convertible debenture was repaid in full	**–**	100,000
Promissory notes due to shareholders of the Corporation, bearing interest at 10% to 12% per annum, unsecured and with no fixed terms of repayment	**56,451**	32,856
	156,451	232,856
Less current portion	**–**	100,000
	$156,451	$132,856

The Corporation is required to make the following future principal payments as follows:

2002	$ –
2003 and thereafter	156,451
	$ 156,451

(b) Other related party transactions are as follows:

	2001	2000
(i) Royalty charged by a company in which the chairman of the Corporation is the president but not a shareholder	**$360,000**	$ 360,000
(ii) Management fees charged by shareholders of the Corporation included in corporate and administrative expenses . . .	**$645,000**	$ 741,009
(iii) Interest revenue on amounts due from an officer and shareholder of the Corporation included in revenues	**$ 9,000**	$ 16,000
(iv) Interest expense on amounts due to shareholders of the Corporation	**$ 10,000**	$ 20,000

5. CAPITAL ASSETS:

2001	Cost	Accumulated depreciation	Net book value
Production equipment	**$19,839,439**	**$ 9,513,315**	**$10,326,124**
Buildings.	**4,168,590**	**1,381,262**	**2,787,328**
Leasehold improvements	**1,674,894**	**846,260**	**828,634**
Vehicles	**707,151**	**602,736**	**104,415**
Land.	**1,065,000**	**–**	**1,065,000**
	$27,455,074	**$12,343,573**	**$15,111,501**
2000			
Production equipment	$ 18,894,255	$ 8,518,195	$ 10,376,060
Buildings.	4,125,231	1,144,834	2,980,397
Leasehold improvements	1,508,530	708,271	800,259
Vehicles	612,112	578,351	33,761
Land.	1,065,000	–	1,065,000
	$ 26,205,128	$ 10,949,651	$ 15,255,477

6. GOODWILL AND OTHER INTANGIBLES:

2001	Cost	Accumulated amortization	Net book value
Goodwill	**$ 1,783,457**	**$ 691,256**	**$ 1,092,201**
Deferred development costs	**1,862,275**	**864,457**	**997,818**
Deferred finance costs	**215,710**	**127,219**	**88,491**
	$ 3,861,442	**$1,682,932**	**$ 2,178,510**
2000			
Goodwill	$ 1,783,457	$ 578,606	$ 1,204,851
Deferred development costs	1,453,990	630,060	823,930
Deferred finance costs	143,461	79,084	64,377
	$ 3,380,908	$ 1,287,750	$ 2,093,158

As at June 30, 2001, the Corporation recorded a write-down totaling $nil (2000 - $292,294) as a result of a permanent impairment.

7. BANK LOANS AND LONG-TERM DEBT:

(a) Bank loans:

The bank loans are revolving lines of credit, repayable on demand, bearing interest at rates ranging from the bank's prime rate plus 1/2% to the bank's prime rate plus 1 1/4% per annum and are secured under various general security agreements covering, all present and after-acquired property of the Corporation, an assignment of life insurance on an officer and shareholder of the Corporation, a general assignment of accounts receivable and inventory, personal guarantees from an officer and shareholder of the Corporation and a postponement of claim by the Corporation.

(b) Long-term debt:

	2001	2000
Term loans, repayable in monthly principal instalments of approximately $105,000 plus interest ranging from prime plus 1% to prime plus 2% per annum and Roynat Inc.'s cost of funds plus 2 1/4% to 2 3/4% per annum and secured as described in note 7(a)	**$5,638,283**	$5,102,290
Mortgages, repayable in monthly instalments of principal and interest, bearing interest at rates ranging from Roynat Inc.'s cost of funds plus 2 1/2% to 2 3/4% per annum	**3,724,175**	3,952,544
Notes payable, non-interest bearing, unsecured, with annual payments varying from $109,965 to $148,060 and repayable in full in December 2002	**228,658**	370,150
Capital leases, due 2001 through 2005, payable monthly, with interest rates ranging from 8% to 12% per annum and secured by certain equipment with a net book value at June 30, 2001 totaling $209,759 (2000 - $252,274)	**163,139**	214,845
	9,754,255	9,639,829
Less current portion	**1,703,923**	1,389,493
	$8,050,332	$8,250,336

Except as specifically disclosed, the Corporation has pledged as security for the various mortgages and loans, all of the assets of the Corporation.

The Corporation is required to make the following future principal payments as follows:

	Long-term debt	Capital leases	Total
2002	$1,646,643	$ 57,280	$1,703,923
2003	2,419,672	50,185	2,469,857
2004	1,944,805	40,687	1,985,492
2005	2,065,996	14,987	2,080,983
2006	1,514,000	–	1,514,000
	$9,591,116	$ 163,139	$9,754,255

8. SHARE CAPITAL:

(a) Authorized:

(i) Unlimited Class A voting common shares; and

(ii) 100,000,000 non-voting Class B shares, Series 2.

(b) Class A common shares issued:

	2001 Shares	2001 Amount	2000 Shares	2000 Amount
Balance, beginning of year.	**19,344,473**	**$ 9,778,171**	20,079,830	$10,122,508
(i) Issued on exercise of stock options:. . . .	–	–	30,000	12,600
(ii) Redemption of shares	**(820,500)**	**(386,193)**	(765,357)	(356,937)
Balance, end of year	**18,523,973**	**9,391,978**	19,344,473	9,778,171
Less cumulative issue costs	–	**(672,551)**	–	(672,551)
	18,523,973	**$ 8,719,427**	19,344,473	$ 9,105,620

During the year ended June 30, 2001 the Corporation acquired 820,500 (2000 – 765,357) Class A common shares for consideration consisting of cash proceeds totaling $474,849 (2000 - $400,560). As the consideration rendered was in excess of the stated value of the shares, the amount in excess totaling $88,656 (2000 - $43,623) was recorded as a reduction of retained earnings.

(c) Stock options:

The Corporation has a stock option plan whereby officers, directors, employees and consultants may be granted options to purchase Class A common shares of the Corporation. As at June 30, 2001 options have been granted to purchase 953,724 (2000 – 598,724) Class A common shares at prices ranging from $0.42 to $0.56 until expiry on dates ranging from July 31, 2001 to October 30, 2005. All options vest on issuance and have a term of five years to expiry.

	2001 Number	2001 Weighted average exercise price	2000 Number	2000 Weighted average exercise price
Outstanding options, beginning of year	**598,724**	**$ 0.48**	1,765,000	$ 0.46
Granted	**400,000**	**0.53**	675,000	0.50
Exercised	–	–	(30,000)	0.42
Expired/cancelled	**(45,000)**	**0.44**	(1,811,276)	0.47
	953,724	**$ 0.50**	598,724	$ 0.48
Options exercisable, end of year	**953,724**	**$ 0.50**	598,724	$ 0.48

Options Range of Exercise Price	Outstanding June 30, 2001	Weighted average remaining contractual life	Exercisable June 30, 2001	Weighted average exercise price
$0.42 to 0.49	170,000	1.1 years	170,000	$ 0.42
0.50 to 0.56	783,724	3.5 years	783,724	$ 0.52
$0.42 to 0.56	953,724	3.1 years	953,724	$ 0.50

(d) Warrants:

	2001		2000	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding warrants, beginning of year	–	$ –	1,500,000	$ 0.55
Granted	–	–	–	–
Exercised	–	–	–	–
Expired/cancelled	–	–	(1,500,000)	(0.55)
	–	$ –	–	$ –
Warrants exercisable, end of year	–	$ –	–	$ –

9. INCOME TAXES:

Effective July 1, 2000, the asset and liability method of accounting for income taxes was retroactively adopted without restatement of the prior years' financial statements. As a result, the Corporation recorded a future tax asset and a corresponding increase in retained earnings of $809,554.

Total income taxes are different from the amount computed by applying the combined expected Canadian Federal and Provincial tax rate of 42.6% (2000 - 44.6%) to income before income taxes and other items. The reasons for the difference are as follows:

	2001	2000
Computed expected tax provision (recovery)	**$ 556,245**	$ 200,546
Add (deduct) the following:		
Recognized benefit of losses	**40,396**	(537,000)
Large Corporations and capital taxes	**40,801**	23,901
Non-deductible amortization	**–**	240,200
Non-deductible expenses	**1,048**	3,100
Non-deductible portion of capital losses	**15,700**	102,300
Total income taxes, as reported	**$ 654,190**	$ 33,047

The components of the net future income tax liabilities at June 30, 2001 are as follows:

Future income tax assets:	
Non-capital losses	$ 1,842,705
Net capital losses	784,696
	2,627,401
Future income tax liabilities:	
Capital assets	(663,914)
Goodwill and other intangible	(784,696)
	1,178,791
Valuation allowance	(982,626)
Net future income tax asset	$ 196,165

At June 30, 2001 the Corporation had cumulative income tax deductions totaling approximately $20,084,900, including reported non-capital losses for income tax purposes of approximately $4,100,000 which expire in the years 2003 to 2008.

9. INCOME TAXES: (CONTINUED):

Corporate tax returns are subject to assessment by taxation authorities in the normal course of business. The results of any assessments will be accounted for as a charge to earnings in the year in which they occur.

10. SEGMENTED INFORMATION:

Reportable segments are identified on the basis of internal reporting to senior management. The Corporation operates primarily through two operating groups being: 1) food processing and distribution; and 2) real estate and rental properties. All operations are located in Canada.

Inter-segment eliminations relate to revenues between segments recorded at transfer prices based on current market prices. Operating margin represents total revenues less cost of sales, including depreciation. Operating expenses are comprised of interest, corporate, royalty, amortization and administrative charges. Identifiable assets by industry segment are the assets specifically attributable to those operations.

The following is an analysis of certain consolidated financial information by segment for the years ended June 30:

	2001	2000
Revenues:(1)		
Food processing and distribution	$ 34,940,175	$32,024,619
Real estate and rental properties	711,794	604,630
Inter-segment transactions	(626,000)	(502,533)
	$ 35,025,969	$32,126,716
Income (loss) before income taxes:		
Food processing and distribution	$ 1,909,575	$ 975,303
Real estate and rental properties	(243,059)	(281,546)
Inter-segment transactions	(360,776)	(244,102)
	$ 1,305,740	$ 449,655

(1) During the year ended June 30, 2001, sales totaling approximately $4,000,000 (2000 - $4,000,000) were made to customers located in the United States.

Capital assets:

2001	Food processing and distribution	Real estate and rental properties	Total
Production equipment	$ 9,931,707	$ 394,417	$10,326,124
Buildings	–	2,787,328	2,787,328
Leasehold improvements	807,068	21,566	828,634
Vehicles	104,415	–	104,415
Land	–	1,065,000	1,065,000
	$10,843,190	$ 4,268,311	$15,111,501

10. SEGMENTED INFORMATION (CONTINUED):

2000	Food processing and distribution	Real estate and rental properties	Total
Production equipment	$ 9,960,323	$ 415,737	$ 10,376,060
Buildings	–	2,980,397	2,980,397
Leasehold improvements	786,664	13,595	800,259
Vehicles	33,761	–	33,761
Land	–	1,065,000	1,065,000
	$ 10,780,748	$ 4,474,729	$ 15,255,477

Expenditures on capital assets and other intangibles and depreciation and amortization:

	2001		2000	
	Expenditures on capital assets and other intangibles	**Depreciation and amortization**	Expenditures on capital assets and other intangibles	Depreciation and amortization
Food processing and distribution	**$ 1,558,913**	**$ 1,432,224**	$ 1,546,220	$ 1,508,520
Real estate and rental properties	**209,723**	**374,416**	760,882	166,093
	$ 1,768,636	**$ 1,806,640**	$ 2,307,102	$ 1,674,613

Total identifiable assets:

	2001	2000
Food processing and distribution	**$23,065,094**	$ 20,776,272
Real estate and rental properties	**4,127,323**	4,419,652
	$27,192,417	$ 25,195,924

11. FAIR VALUES:

As at June 30, 2001 and 2000, the fair values of the Corporation's related party balances were considered undeterminable due to the inability to apply a valuation method or obtain market prices. The fair value of the Corporation's marketable securities as at June 30, 2001 was approximately $1,660,000 (2000 - $1,443,000). As at September 30, 2001, the fair value of the marketable securities is approximately $1,535,000. The fair values of all other monetary assets and liabilities approximated their carrying values.

12. COMMITMENT:

The Corporation has a royalty agreement with a company of which the chairman of the Corporation is the president. The royalty agreement extends to June 30, 2004 and results in the Corporation having to pay an annual obligation equal to the lesser of:

(i) $360,000; or

(ii) 18% of the gross sales of Dan Dan's Food Products (1994) Ltd. (a wholly-owned subsidiary of the Corporation).

13. CONTINGENCY:

A secured creditor of Sparrow Electric Corporation ("Sparrow"), a former subsidiary, has successfully appealed a court decision wherein Canada Customs and Revenue Agency ("CCRA") claimed priority over this creditor with respect to amounts owed by Sparrow regarding unpaid statutory deductions. CCRA may have a potential claim of up to $925,000 against the directors of Sparrow. While the Corporation has a policy of indemnification for the directors of Sparrow, there is uncertainty as to whether the indemnification would be applicable in this circumstance. In addition, the Corporation has been advised by its legal counsel that on the basis of the facts presently known with respect to CCRA's claim, the Corporation would have a good defense to an indemnification claim. As a result, no amount has been accrued as a liability and expense within these consolidated financial statements. In the event that CCRA successfully brings a claim against the directors of Sparrow and the Corporation is found liable in a court of law for this claim as a result of the director indemnification, the resulting settlement will be accounted for as a charge to net income in the period in which the settlement occurs.

14. SUPPLEMENTAL CASH FLOW DISCLOSURE:

(a) Changes in non-cash working capital:

	2001	2000
Marketable securities	**$ (568,934)**	$ (838,618)
Accounts receivable	**(203,707)**	(240,405)
Inventory	**(1,125,483)**	54,885
Prepaid expenses	**(116,770)**	54,189
Accounts payable and other liabilities	**812,074**	110,317
	$ (1,202,820)	$ (859,632)

(b) Cash payments:

The following cash payments were made:

	2001	2000
Interest	**$ 967,000**	$ 963,000
Taxes	**$ 16,000**	$ 24,000

15. SUBSEQUENT EVENT:

Subsequent to June 30, 2001 the Corporation negotiated a new long-term debt facility to a maximum totaling $2,250,000. The new facility has a term of seven years and bears interest at the bank's floating base rate.

BEAUMONT SELECT CORPORATIONS INC.